International Seabed Authority ISBA/24/FC/6

Finance Committee

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Status of implementation of the International Public Sector Accounting Standards

Status of implementation of the International Public Sector Accounting Standards by the International Seabed Authority

Report of the Secretary-General

I. Introduction

1. The present report has been prepared to inform the Finance Committee of the progress made by the International Seabed Authority towards the implementation of the International Public Sector Accounting Standards (IPSAS).

2. At its twentieth session, in 2014, the Assembly approved the adoption of IPSAS by the Authority (see ISBA/20/A/12), upon recommendation from the Finance Committee. In view of the Authority's participation in the United Nations common system, the implementation of IPSAS is expected to bring significant benefits in terms of the quality, comparability and credibility of financial reporting, as well as improved accountability, transparency and governance.

3. Progress made towards the implementation of IPSAS was reported to the Committee in 2015 (see ISBA/21/FC/9) and 2017 (see ISBA/23/FC/5).

4. The Authority applied the transitional exemptions permitted under IPSAS 33 — First-Time Adoption of Accrual Basis International Public Sector Accounting Standards, which allow for a three-year transitional period for the recognition of specified assets and liabilities. The IPSAS transitional financial statements of the Authority for the year ended 31 December 2016 were prepared in compliance with all applicable IPSAS standards, except for the three following areas:

(a) IPSAS 25 — Employee Benefits;

(b) IPSAS 30 — Financial Instrument: Disclosures;

(c) IPSAS 31 — Intangible Assets.

5. Those IPSAS standards were fully complied with in the Authority's financial statements for the year ended 31 December 2017.

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II. Progress made

6. Achieving full compliance with IPSAS for its financial statements for the year ended 31 December 2017 represents a major milestone for the Authority. The transitional areas have been complied with, specifically:

(a) For IPSAS 25, the Authority contracted a consulting firm (PricewaterhouseCoopers Belgium) to provide the actuarial valuation services for liabilities with respect to long-term employee benefits. The actuarial estimates from the consulting firm were subsequently recorded in the Authority's financial statements for the year ended 31 December 2017, the most significant item being the liabilities for the after-service health insurance, a post-employment benefit that provides coverage for the medical expenses of eligible former staff members and their dependants;

(b) For IPSAS 30, all the Authority's current financial arrangements including fixed-term deposits or cash and cash equivalents held in trust funds and other accounts entrusted to the Authority were disclosed in the notes to the financial statements for the year ended 31 December 2017;

(c) For IPSAS 31, the Authority set the criteria and thresholds for intangible assets and decided to report on a prospective basis, that is, all items qualified as intangible assets but acquired before 1 January 2017 were expensed.

7. In 2017, the Authority implemented the United Nations computer-based training courses on IPSAS. The majority of staff members, including all senior managers, have completed the course. This has helped to raise awareness of IPSAS and its impact on the Authority's daily transactions.

III. Tools required for a full implementation of the International Public Sector Accounting Standards

8. Even though the financial statements have been prepared in full compliance with IPSAS for the first time, the current accounting software (AccPac) lacks the capacity to fully facilitate the ongoing IPSAS financial management and reporting requirements, which poses challenges to the Finance Unit. The Authority will continue to explore the options of performing the necessary upgrades to the existing software or switching to another platform embedded in an enterprise resource planning system, to meet the IPSAS requirements. This task is expected to be completed during the biennium 2019–2020.

IV. Recommendation

9. The Finance Committee is invited to take note of the progress made by the Authority to produce IPSAS-compliant financial statements for the year ended 31 December 2017 and the plan for a full implementation of IPSAS over the biennium 2019–2020.